



## PALADIN OFFER SIGNIFICANTLY UNDERVALUES AFEXA'S BUSINESS

An open letter from  
Afexa Chair of the Board,  
William B. White



*William B. White*  
Chair of the Board

August 19, 2011



Special Committee of  
independent directors struck



New shareholder rights plan  
adopted that encourages fair  
treatment of shareholders in  
takeover bids

### Dear Shareholders:

As you may know, Paladin Labs Inc. ("Paladin") has made a hostile offer to purchase any and all of the issued and outstanding common shares of Afexa Life Sciences Inc. ("Afexa" or the "Company"). You may already have received a takeover bid circular setting out the terms of the offer from Paladin (the "Offer"), or a phone call from Paladin's representatives asking you to tender your shares to Paladin.

On behalf of the Board of Directors of Afexa, I am writing to advise you to **TAKE NO ACTION** at this time in response to the Paladin bid and to inform you of your Board's initiatives to date.

The Offer is being reviewed by a Special Committee of independent directors and the Board has mandated the Special Committee to carefully review and evaluate Paladin's bid, and also to consider any strategic alternatives that may provide greater long-term value for shareholders. As previously announced on August 10, 2011, the Board of Directors believes that the Offer significantly undervalues Afexa's business and the Board's preliminary response to the Offer is to urge Afexa shareholders not to deposit any shares to Paladin and not to take any action with respect to the Offer until the Board has completed its full review and presented its formal recommendation. The Board will make a recommendation about the Offer to you as a shareholder in a Directors' Circular that will be mailed to you directly on or before August 25, 2011.

The Paladin bid remains open until at least September 15, 2011, and there is **NO NEED FOR YOU TO ACT BEFORE THEN**. The Special Committee and Board both believe it is in the best interests of all shareholders to allow the Special Committee to complete its review before you take any action on the Paladin offer.

## WE URGE YOU NOT TO TENDER YOUR SHARES TO THE OFFER AT THIS TIME



### **WE URGE YOU NOT TO TENDER YOUR SHARES TO THE OFFER AT THIS TIME.**

We ask you to let the Special Committee complete its responsibilities on your behalf. Should you have any questions concerning Afexa or the Offer please contact Afexa through Jane Tulloch, Senior Director, Board Affairs and Investor Relations at [TakeNoAction@afexa.com](mailto:TakeNoAction@afexa.com).

Your Board is committed to keeping you informed and will advise you of any developments.

Yours sincerely,

A handwritten signature in black ink, appearing to read "W. White", written in a cursive style.

William B. White,  
Chair of the Board  
Afexa Life Sciences Inc.



Special Committee evaluating offer and considering strategic alternatives that may provide greater long-term value for shareholders